

**ANDERSON COUNTY ECONOMIC DEVELOPMENT
ASSOCIATION**

AUDIT REPORT

JUNE 30, 2016

Prepared by:

Dale C. Isabell, CPA

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INTRODUCTORY SECTION

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION MEMBERS

BOARD MEMBERS AND OFFICERS

<i>Chairman:</i>	Greg Fay
<i>Vice Chairman:</i>	Jerry Shattuck
<i>Treasurer:</i>	Rick Chinn

BOARD MEMBERS

Anderson County

Mayor Terry Frank
Rick Chinn
Jim Cooper
Cathy Brown
Allen Tadlock
Dusty Irwin
Robert Baird
Bear Stephenson
Von Evans

Clinton

Mayor Scott Burton
City Manager Roger Houck
Rick Meredith
Richard Dawson

Clinton Utilities Board

General Manager Greg Fay
Bob Jameson
Joe Rainey
Jerry Shattuck

Oak Ridge

Mayor Warren Gooch/Mark Watson
Leonard Abbatiello
Terry McGhee
Karen Crutchfield

Chambers- Ex Officio

Parker Hardy- Ex Officio Member
Rob Neil- Powell Clinch

Rocky Top

Mayor Michael Lovely
Tim Isbel

Norris

Mayor Chris Mitchell
Jack Black

Oliver Springs

Terry Craze

FINANCIAL SECTION

DALE C. ISABELL
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

November 30, 2016

Board of Directors
Anderson County Economic Development Association
245 North Main Street
Clinton, Tennessee 37716

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the General Fund of Anderson County Economic Development Association (a nonprofit organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2016, on my consideration of Anderson County Economic Development Association, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Anderson County Economic Development Association System's control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinion on the basic financial statements that collectively comprise Anderson County Economic Development Association financial statements. The introductory section and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Anderson County Economic Development Association, as of June 30, 2016, and the changes in financial position thereof for the year ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

Dale C. Isabell, CPA

November 30, 2016

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

This discussion and analysis is intended to be an easily readable analysis of Anderson County Economic Development Association (Board) financial activities for the year ended June 30, 2016, based on currently known facts, decisions or conditions. This analysis focuses on activities for the period and should be read in conjunction with the financial statements following.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide financial statements, fund financial statements, and the notes to the financial statements. Included in the statements are the statement of net position, statement of activities and changes in net position. The Board's activities are all governmental type activities and include basic economic development services and administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Board.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets of the Board, the liabilities it owes, and the net difference. The net difference is further separated into amounts invested in capital assets and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of the Board's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by the general revenues.
- Fund financial statements focus separately on governmental funds. Governmental fund statements follow the more traditional presentation of financial statements.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Board's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

Board as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position follows:

Net Position at Year-end

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and investments	\$127,237.07	\$117,786.78
Accounts Receivable	.00	1,061,612.62
Capital Assets Net of Depreciation	.00	.00
Net Pension Assets	38,130.00	29,391.00
Deferred Outflow Related to Pensions	<u>29,647.00</u>	<u>19,016.00</u>
Total assets	\$ <u>195,014.07</u>	\$ <u>1,227,806.40</u>
Liabilities, Deferred Inflow of Resources, and Net Position:		
Current Liabilities:		
Accounts Payable	.00	1,061,612.62
Long-term liabilities	<u>.00</u>	<u>.00</u>
Total liabilities	<u>.00</u>	<u>1,061,612.62</u>
Deferred Inflow of Resources:		
Deferred Inflow Related to Pensions	12,265.00	16,353.00
Net Position:		
Investment in capital assets	\$.00	\$.00
Unrestricted net position	<u>182,749.07</u>	<u>149,840.78</u>
Total Net Position	\$ <u>182,749.07</u>	\$ <u>149,840.78</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>195,014.07</u>	\$ <u>1,227,806.40</u>

The adjusted net position increased \$ 32,908.29 mainly on revenues over expenses.

A condensed version of the Statement of Activities follows:

For the Period Ended

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Operating grants and contributions	\$ 500,000.00	\$ 5,002,500.00
General Revenue		
Anderson County Government	124,500.00	124,500.00
Anderson County Economic Development Fund	24,545.00	.00
City of Clinton	21,000.00	21,000.00
Clinton Utilities Board	15,000.00	15,000.00
City of Norris	1,000.00	1,000.00
City of Rocky Top	1,000.00	1,000.00
City of Oak Ridge	15,000.00	15,000.00
Town of Oliver Springs	.00	500.00
Powell Clinch Utility District	5,000.00	5,000.00
E.T.E.D.A.	5,000.00	6,236.00
Pension Income	3,786.00	1,042.00
Interest Income	<u>31.67</u>	<u>12.00</u>
Total General Revenues	\$ <u>215,862.67</u>	\$ <u>190,290.00</u>

Expenses		
Economic development	<u>682,954.38</u>	<u>5,160,561.18</u>
Total Expenses	<u>682,954.38</u>	<u>5,160,561.18</u>
Change in net position	32,908.29	32,228.82
Beginning net position	<u>149,840.78</u>	<u>117,611.96</u>
Ending net position	<u>\$ 182,749.07</u>	<u>\$ 149,840.78</u>

Financial Analysis of the General Fund

The General Fund is the chief operating fund of the Board. At the end of the current fiscal year, the fund balance of the General Fund was \$ 127,237.07 of which \$ 127,237.07 is unassigned.

The General Fund Balance of the Board increased by \$ 9,450.29 during the current fiscal year. This increase related primarily to revenues over expenses for Economic Development.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016 the Board had \$.00 invested in Capital Assets.

	Capital Assets at Year-end	
	<u>2016</u>	<u>2015</u>
Capital assets, net	<u>\$.00</u>	<u>\$.00</u>

There was no change or activity in Capital Assets during the year ending June 30, 2016.

Economic Factors for Next Year

The board looks to a very favorable 2015-2016 fiscal year.

The Board's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability.

EXHIBIT A

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION STATEMENT OF NET POSITION JUNE 30, 2016

Assets and Deferred Outflows:

Current Assets:

Cash In Bank (Checking)	\$ 77,159.32
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Cash In Bank (Money Market)	<u>50,077.75</u>
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<i>Total Current Assets</i>	<u>127,237.07</u>
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Capital Assets:

Equipment	10,476.00
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Accumulated Depreciation	<u>(10,476.00)</u>
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Total Capital Assets	<u>.00</u>
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Other Assets:

Net Pension Asset	38,130.00
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Deferred Outflow of Resources

Deferred Outflow Related to Pensions	<u>29,647.00</u>
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Total Assets And Deferred Outflows	<u>\$ 195,014.07</u>
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Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:

Current Liabilities	
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<i>Total Current Liabilities</i>	<u>.00</u>
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Total Liabilities	<u>.00</u>
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Deferred Inflows of Resources

Deferred Inflow Related to Pensions	<u>12,265.00</u>
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Net Position:

Unrestricted Net Position	<u>182,749.07</u>
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Total Net Position	<u>182,749.07</u>
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Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 195,014.07</u>
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The accompanying notes are an integral part of these financial statements.

EXHIBIT B

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Government Activities</u>
Governmental Activities					
Economic Development	\$ 682,954.38	\$.00	\$ 500,000 .00	\$.00	(\$ 182,954.38)
Debt Service	.00	.00	.00	.00	.00
Total Governmental Activities	<u>\$ 682,954.38</u>	<u>\$.00</u>	<u>\$ 500,000.00</u>	<u>\$.00</u>	<u>(\$ 182,954.38)</u>

GENERAL REVENUES:

Anderson County Government	\$ 124,500.00
Anderson County Economic Development Fund	24,545.00
City Of Clinton	21,000.00
Clinton Utilities Board	15,000.00
City of Norris	1,000.00
City of Rocky Top	1,000.00
City of Oak Ridge	15,000.00
Powell Clinch Utility District	5,000.00
E.T.E.D.A.	5,000.00
Pension Income	3,786.00
Interest Earned	<u>31.67</u>
Total General Revenues	<u>\$ 215,862.67</u>
Change In Net Position	\$ 32,908.29
Net Position Beginning of Year, as restated	<u>149,840.78</u>
Net Position- End of Year June 30, 2016	<u>\$ 182,749.07</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT C1

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016

ASSETS:

Current Assets:

Cash In Bank (Checking)	\$ 77,159.32
Cash In Bank (Money Market)	<u>50,077.75</u>
Total Current Assets	<u>\$127,237.07</u>

TOTAL ASSETS \$ 127,237.07

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:

Liabilities:

Current Liabilities

Total Current Liabilities .00

Total Liabilities .00

Fund Balances:

Unassigned Fund Balance 127,237.07

Total Fund Balances 127,237.07

**TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES
AND FUND BALANCES** \$127,237.07

The accompanying notes are an integral part of these financial statements.

EXHIBIT C2

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Fund Balances – Total Governmental Funds **\$127,237.07**

Amounts reported for governmental activities in the Statement of Net
Position are different because:

- (1) Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental
funds. .00
- (2) Net pension assets and liabilities and the related deferred outflows
and deferred inflows are reported in the statement of net position;
however, they are current financial resources; therefore, they are
not reported in the governmental funds balance sheet.
 - Net pension asset 38,130.00
 - Deferred Outflow of Resources 29,647.00
 - Deferred Inflow of Resources (12,265.00)
- (3) Certain earned amounts are not available to pay for current-
Period Expenditures and therefore are unearned revenues in the
Governmental funds. .00

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 182,749.07**

The accompanying notes are an integral part of these financial statements.

EXHIBIT C3

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2016

Revenues:

Intergovernmental Revenues:

State of Tn.-Dept. of Economic and Community Development	\$ 500,000.00
Anderson County Economic Development Fund	24,545.00
Anderson County Government	124,500.00
City of Clinton	21,000.00
Clinton Utilities Board	15,000.00
City of Norris	1,000.00
City of Rocky Top	1,000.00
City of Oak Ridge	15,000.00
Powell Clinch Utility District	5,000.00
E.T.E.D.A.	<u>5,000.00</u>
Total Intergovernmental Revenues	712,045.00

Revenue From Use of Money or Property:

Interest Income	<u>31.67</u>
Total Revenues From Use of Money or Property	<u>31.67</u>

Total Revenues

\$ 712,076.67

Expenditures:

Economic Development:

President's Salary	\$110,765.04
FICA Tax Matching Share	6,867.43
Medicare Tax - Matching Share	1,606.09
Other Taxes	41.97
Retirement-Matching Share	19,671.74
Medical Insurance Reimbursement	1,386.30
Travel Local	1,402.96
Professional Services	11,834.29
Audit	5,500.00
Office Rent	4,063.56
Telephone and Internet	1,392.73
Office Supplies	213.15
Cleaning Services	960.00
Cell Phone	696.63
Liability Insurance	998.00
Errors and Omissions (BOD) Insurance	1,218.00
Meetings and Conferences	2,066.79
Advertising	193.80
Prospect Development	136.33
Memberships and Subscriptions	126.00
Web Site Development	5,044.10
Computer Hardware and Software	542.11
Miscellaneous	1,354.36
TCAT Architectural Fees	4,545.00
Dura Line Rail Spur	20,000.00
Grant 3M Company pass Through Funds	<u>500,000.00</u>
Total Economic Development	<u>702,626.38</u>

Total Expenditures

702,626.38

Total Revenues Over or (Under) Expenditures

9,450.29

Fund Balance July 1, 2015

117,786.78

Fund Balance June 30, 2016

\$127,237.07

The accompanying notes are an integral part of these financial statements.

EXHIBIT C4

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Changes In Fund Balances – Governmental Fund (Exhibit C3) **\$ 9,450.29**

Amounts reported for governmental activities in the Statement of
Activities (Exhibit B) are different because:

- (1) Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities, the cost of these
assets is allocated over their useful lives and reported as
depreciation expense. The amount that capital outlays
differ from depreciation is itemized as follows:

Add: Capital Outlays in the current period	.00
Less: Current year depreciation	(.00)

- (2) Retirement contributions made after the actuarial measurement date
Are an expenditure in the governmental funds, but increase
deferred outflows for governmental activities 19,672.00

- (3) Revenues in the statement of activities that do not provide
Current financial resources are not reported as revenues
in the funds.
Pension Income 3,786.00

Change in Net Position of Governmental Activities (Exhibit B) **\$ 32,908.29**

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2016**

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Anderson County Economic Development Association (ACEDA) is a non-profit organization and is tax exempt under Section 501(C)(6) of the Internal Revenue Code. ACEDA was formed in a joint venture with Anderson County Government and all the towns/cities within Anderson County to promote economic development. ACEDA is engaged in marketing the community to provide industrial prospects for the purpose of generating private capital investments, broadening the local tax base, and generating new and additional job opportunities for local residents. In addition, the organization coordinates all activities related to Federal and State loans and grants, as well as private bond issues directly related to individual industrial site developments and for the larger tracts of land to be utilized as industrial parks.

ACEDA's bylaws govern the representation and appointment of the board of directors, which currently consists of twenty-eight (28) members. There are no organizations requiring consideration for inclusion in the Anderson County Economic Development Association's financial reporting entity.

Accounting Policies

The financial statements of Anderson County Economic Development Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Anderson County Economic Development Association accounting policies are described below.

Basis of Presentation – Government-Wide Financial Statements

Anderson County Economic Development Association, follows provisions of Governmental Accounting Standards Board standards for external financial reporting for all state and local government entities, which includes a statement of net position and a statement of activities showing the change in net position. These standards require the classification of the net position into three components – net investment in capital assets, restricted, and unrestricted. The classifications are defined as follows:

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

- Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The investment in capital assets will also include deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.
- Restricted – This component of the net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Anderson County Economic Development Association’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Basis of Presentation – Governmental Fund Financial Statements

Governmental fund financial statements of Anderson County Economic Development Association, are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the only fund of the Anderson County Economic Development Association and is always classified as a major fund. All activities of the Anderson County Economic Development Association are accounted for in the General Fund.

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities governmental activities are presented using the “economic resources” measurement focus. Accordingly, all of the Anderson County Economic Development Association’s assets and liabilities, including capital assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

In the fund financial statements the “current financial resources” measurement focus or “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. The types of transactions reported as program revenues for the Anderson County Economic Development Association are reported in three categories: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Rental income, while susceptible to accrual, is recorded as revenue when received because amounts are not materially different. Investment earnings are recorded when earned since they are measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Anderson County Economic Development Association's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Anderson County Economic Development Association's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Employees of Anderson County Economic Development Association are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>1</u>
	<u>2</u>

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Anderson County Economic Development Association makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined contribution (ADC) for Anderson county Economic Development Association was \$ 19,016 based on a rate of 17.76 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Anderson County Economic Development Association's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Anderson County Economic Development Association's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected	
	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26 %	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Anderson County Economic Development Association will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The accompanying notes are an integral part of these financial statements.

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/14	\$ 242,317	\$ 271,708	\$ (29,391)
Changes for the year:			
Service cost			
Interest	18,039	-	18,039
Differences between expected and actual experience	6,227	-	6,227
Contributions- employer	-	19,016	(19,016)
Contributions- employees	-	5,354	(5,354)
Net investment income	-	8,686	(8,686)
Benefit payments, including refunds of employee contributions	(3,606)	(3,606)	-
Administrative expense		(51)	51
Net changes	20,660	29,399	(8,739)
Balance at 6/30/15	\$ 262,977	\$ 301,107	\$ (38,130)

The accompanying notes are an integral part of these financial statements.

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Anderson County Economic Development Association calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1 Increase (8.5%)
Anderson County Economic Development Association's net pension liability (asset)	\$ (14,351)	\$ (38,130)	\$ (58,691)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2016, Anderson County Economic Development Association recognized pension income of \$3,786.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Anderson County Economic Development Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	9,975	12,265
Contributions subsequent to the measurement date of June 30, 2015	<u>19,672</u>	<u>(not applicable)</u>
Total	\$ <u><u>29,647</u></u>	\$ <u><u>12,265</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	\$
2016	(1,594)
2017	(1,594)
2018	(1,594)
2019	2,494
2020	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2016, Anderson County Economic Development Association reported a payable of \$ 0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Schedules of Required Supplementary Information

**Schedule of Changes in Anderson County Economic Development Association's Net Pension Liability
(Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**

JUNE 30, 2016

	2014	2015
Total Pension Liability-Beginning	\$ 220,886.00	\$ 242,317.00
Total Pension Liability-Ending (a)	<u>\$ 242,317.00</u>	<u>\$ 262,977.00</u>
 Plan Fiduciary Net Position		
Contributions-Employer	\$ 16,922.00	\$ 19,016.00
Contributions-Employee	\$ 5,100.00	\$ 5,354.00
Net Investment Income	\$ 37,329.00	\$ 8,686.00
Benefit Payments, including Refunds of Employee Contributions	\$ (3,553.00)	\$ (3,606.00)
Administrative Expense	\$ (50.00)	\$ (51.00)
Net Change in Plan Fiduciary Net Position	<u>\$ 55,748.00</u>	<u>\$ 29,399.00</u>
Plan Fiduciary Net Position-Beginning	\$ 215,960.00	\$ 271,708.00
Plan Fiduciary Net Position-Ending(b)	<u>\$ 271,708.00</u>	<u>\$ 301,107.00</u>
 Net Pension Liability (asset)-ending (a) - (b)	<u>\$ (29,391.00)</u>	<u>\$ (38,130.00)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	112.13%	114.50%
Covered-Employee Payroll	\$ 102,000.00	\$ 107,070.00
Net Pension Liability (asset) as a Percentage of Covered-Employee Payroll	-28.81%	-35.61%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will add to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

**Schedule of Anderson County Economic Development Association's
Contributions**

**Based on Participation in the Public Employee Pension Plan of TCRS
June 30, 2016**

	2014	2015	2016
Actuarially Determined Contribution	\$ 16,922	\$ 19,016	\$ 19,672
Contributions in relation to the actuarially determined contribution	16,922	19,016	19,672
Contribution deficiency (excess)	-	-	
Covered-Employee Payroll	\$102,000	107,070	110,765
Contributions as a Percentage Covered- Employee Payroll	16.59%	17.76	17.76

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	3 Years
Asset Valuation	10-Year Smoothed within a 20 Percent Corridor to Market Value
Inflation	3.0 Percent
Salary Increases	Graded Salary Ranges from 8.97 to 3.71 Percent Based on Age, Including Inflation, Averaging 4.25 Percent
Investment Rate of Return	7.5 Percent, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience, Including an Adjustment for Some Anticipated Improvement
Cost of Living	2.5 Percent

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restricted Assets

When applicable, the Anderson County Economic Development Association elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Governmental Fund Balance

If Anderson County Economic Development Association has an expenditure that is incurred for purposes of multiple account classification, the Anderson County Economic Development Association's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have a negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Equity is classified as fund balance and displayed in the following five components, if applicable:

Non-spendable – Such as fund balance associated with inventories, prepaids, long-term loans and notes receivable. Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restricted – Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Anderson County Economic Development Association Board of Directors.

Assigned – fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Board approval is required to assign fund balances.

Unassigned – fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

NOTE 2: DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Anderson County Economic Development Association's deposits may not be returned to it. All deposits of Anderson County Economic Development Association are covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3: INVESTMENTS

State statutes authorize the Anderson County Economic Development Association to invest in obligations of the United States Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally-chartered banks and savings and loan associations, and money market funds approved by the state director of finance.

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 5: ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 6: CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items) are reported in the government-wide type activity. Such assets are recorded at historical cost of estimated historical cost of purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or transfer.

Buildings are depreciated at straight line basis over 25 years.

Capital asset activity for the period ended June 30, 2016, was as follows:

Governmental Type Activities:

Capital Assets Being Depreciated:

	Beginning	Additions	Depreciation	Ending
Equipment	\$10,476.00	\$ 0.00	\$0.00	\$10,476.00
Accumulated Depreciation	(10,476.00)	\$0.00	(.00)	(\$10,476.00)
Total Cap Outlay	<u>.00</u>	<u>\$ 0.00</u>	<u>(.00)</u>	<u>\$.00</u>

The accompanying notes are an integral part of these financial statements.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD ENDED JUNE 30, 2016**

NOTE 7: LONG-TERM DEBT

Anderson County Economic Development Association has no long-term debt as of June 30, 2016.

NOTE 8: AT-RISK ACTIVITIES

Anderson County Economic Development Association, covers its at-risk activities under insurance policies.

NOTE 9: RELATED PARTY TRANSACTIONS

There were no related party transactions during the audit period.

NOTE 10: BUDGET

Anderson County Economic Development Association's budget operation was generally sound for the year. The budget is adopted and controlled by the Board of Directors. The control level is by the Anderson County Economic Development Association Board of Directors. No budget is presented for the year ended June 30, 2016.

NOTE 11: LITIGATION, CLAIMS, AND ASSESSMENTS

As of June 30, 2015, ACEDA and some of its individually named board members were in defense of Compliant of Declaratory Judgment and Alternatively for Monetary Damages. An Application for Temporary Injunction has been filed on behalf of the plaintiffs who represent businesses in the David Jones Industrial Park. A trial date has been scheduled to be set for February/March 2016. ACEDA and the named Board Members was dismissed as moot on April 21, 2016.

The accompanying notes are an integral part of these financial statements.

EXHIBIT D1

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION CHANGES IN NET PENSION LIABILITY (ASSET) JUNE 30, 2016

<u>Total Pension Liability</u>	Measurement Date at <u>June 30, 2014</u>	Measurement Date at <u>June 30, 2015</u>
Service Cost	\$ -	\$ -
Interest	\$ 16,433.00	\$ 18,039.00
Changes in Benefit Terms	\$ -	\$ -
Differences Between Actual and Expected Experience	\$ 8,551.00	\$ 6,227.00
Changes of Assumptions	\$ -	\$ -
Benefit Payments, including Refunds of Employee Contributions	\$ (3,553.00)	\$ (3,606.00)
Net Change in Total Pension Liability	\$ 21,431.00	\$ 20,660.00
Total Pension Liability- Beginning of Year	\$ 220,886.00	\$ 242,317.00
Total Pension Liability - Ending of Year	\$ 242,317.00	\$ 262,977.00
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 16,922.00	\$ 19,016.00
Contributions - Employee	\$ 5,100.00	\$ 5,354.00
Net Investment Income	\$ 37,329.00	\$ 8,686.00
Benefit Payments, including Refunds of Employee Contributions	\$ (3,553.00)	\$ (3,606.00)
Administrative Expense	\$ (50.00)	\$ (51.00)
Net Change in Plan Fiduciary Net Position	\$ 55,748.00	\$ 29,399.00
Plan Fiduciary Net Position - Beginning of Year	\$ 215,960.00	\$ 271,708.00
Plan Net Position- Ending of Year(b)	\$ 271,708.00	\$ 301,107.00
Net Position Liability (Asset) - Ending (a) - (b)	\$ (29,391.00)	\$ (38,130.00)
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	112.13%	114.50%
Covered - Employee Payroll	\$ 102,000.00	\$ 107,070.00
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	35.61%	28.81%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See accompanying independent accountants' audit report.

The accompanying notes are an integral part of these financial statements.

EXHIBIT E1

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION PENSION CONTRIBUTIONS JUNE 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarilly Determined Contribution	16.59%	17.76%	17.76%
Contributions in Relation to the Actuarilly Determined Contribution	16.59%	17.76%	17.76%
Contribution Deficiency (Excess)	0	0	0
Covered Employee Payroll			
Contributions as a Percentage of Covered Employee Payroll	102,000.00	107,070.00	110,765.04

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule Pension Contributions

Valuation Date: Actuarially determined contribution rates for the year ended June 30, 2015, were calculated based on the July 1, 2013, actuarial valuation.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 years)
Remaining Amortization Period	1 Year
Asset Valuation	10-Year Smoothed within 20% Corridor to Market Value
Inflation	3.00%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% based on Age, including Inflation, Averaging 4.25%
Investment Rate of Return	7.50%, Net of Investment Expense, including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience, including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.50%

See the accompanying independent accountant's audit report.

The accompanying notes are an integral part of these financial statements.

EXHIBIT E1

ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
SCHEDULE OF CHANGE IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2016

GENERAL FUND:

	Beginning Balance	Debt Issued	Debt Retired	Ending Balance
Notes Payable –	\$.00	\$ 00	\$.00	\$.00
Total	\$.00	\$ 00	\$.00	\$.00

The accompanying notes are an integral part of these financial statements.

EXHIBIT E2

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Description	Beginning Balance	Cash Receipts	Expenditures	Ending Balance
<u>State Grants</u>				
Department of Economic and Community Development State Grant contract number 44042	\$1,061,612.62	\$1,061,612.62	\$.00	\$.00
Department of Economic and community Development State Grant number 48143	<u>.00</u>	<u>500,000.00</u>	<u>500,000.00</u>	<u>.00</u>
Total	<u>\$1,061,612.62</u>	<u>\$1,561,612.62</u>	<u>\$500,000.00</u>	<u>\$.00</u>

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

The accompanying notes are an integral part of these financial statements.

INTERNAL CONTROL AND COMPLIANCE

DALE C. ISABELL
Certified Public Accountant

MAILING ADDRESS
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Clinton, TN 37716

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(865)457-2411
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

November 30, 2016

Board of Directors
Anderson County Economic Development Association
245 North Main Street
Clinton, Tennessee 37716

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Anderson County Economic Development Association as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Anderson County Economic Development Association basic financial statements, and have issued my report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Anderson County Economic Development Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anderson County Economic Development Association Board's internal control. Accordingly, I do not express an opinion on the effectiveness of the Anderson County Economic Development Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anderson County Economic Development Association's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dale C. Isabell, CPA

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
SCHEDULE OF FINDINGS
JUNE 30, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

A. An unmodified opinion was issued on the basic financial statements of Anderson County Economic Development Association, for the period ending June 30, 2016.

B. Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified that are not
Considered to be material weakness(es)? yes x none reported

C. My audit disclosed no instances of noncompliance considered by me to be material to the financial statements.

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL

Finding: No audit findings.

**ANDERSON COUNTY ECONOMIC DEVELOPMENT ASSOCIATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

- I.** There was no prior audit findings.